

**GUIDE FOR THE ISSUANCE OF NOTES
BY THE COUNTIES, CONSOLIDATED
GOVERNMENTS, AND MUNICIPALITIES OF
TENNESSEE**



**Division of Local Finance
Comptroller of the Treasury**

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Comptroller of the Treasury, Division of Local Finance.
Authorization Number 30739, 500 copies, October
2003. This public document was promulgated at a cost
of \$2.81 per copy.

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE**

THE DIVISION OF LOCAL FINANCE has certain statutory responsibilities with regard to the financial operations of local governments in Tennessee. The Division attempts to assist local government officials in performing their duties as elected representatives. The Division's responsibilities include the following:

A. Local Government Debt Management

Review and approve proposals for issuance of short-term debt by cities and counties.
Review and report on proposals for issuance of debt by utility districts.
Review and report on proposals for issuance of refunding debt by cities and counties.
Review and maintain file of debt information forms submitted by all tax-exempt entities.
Review and approve annual operating budgets for cities, counties and utility districts having outstanding debt which was issued pursuant to Parts 1 and 2.
Review, for determination of compliance with guidelines issued by State Funding Board, proposals by cities, counties, utility districts and public building authorities to enter into certain contracts or agreements relating to the issuance of debt. (Swaps, caps, forwards, etc.)

B. Local Government Resource Management

Review and approve certain investment proposals submitted by cities, counties and utility districts.
Review and file performance bonds for county officers, treasurers for municipal and special school districts, and treasurers for emergency communications districts.

C. Cable Plans

Review, for determination of feasibility, business plans submitted by municipal electric systems proposing to provide cable television, internet, video programming or other related services.

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GUIDE FOR THE ISSUANCE OF NOTES

This guide is intended to assist local governments in Tennessee in the financing of public works projects through the issuance of notes. Included in this guide are brief descriptions of the different types of notes and procedures for obtaining approval to issue notes. Model resolution and note forms that may be used by the governing body in authorizing the issuance of notes have been included as part of this guide. This guide does not address federal tax-exempt debt or Securities and Exchange Commission requirements for the issuance of debt; please refer to your attorney/bond counsel for assistance with these requirements.

GENERAL INFORMATION

1. Types of Notes Authorized Under Title 9 Chapter 21, Tennessee Code Annotated

	Bond Anticipation Notes	Capital Outlay Notes	Grant Anticipation Notes	Tax Anticipation Notes	Health Care Anticipation Notes
Purpose	Issued in anticipation of bond proceeds for all purposes which bonds can be legally issued and authorized for by a local government for public works projects and purposes authorized by Chap. 11 of Title 9 and Title 49 Chap. 3 Part 10	For all purposes which bonds can be legally issued and authorized for by a local government for public works projects and for property valuation, tax assessment and tax equalization programs	Notes issued in anticipation of monies received pursuant to a contract between the state or federal agency and the local government for public work projects	Tax anticipation notes are for the purpose of meeting appropriations made for the current fiscal year in anticipation of the collection of taxes and revenues.	Health Care Anticipation Notes are for providing funds to be transferred to the state pursuant to an approved intergovernmental transfer agreement between the state and the local government.
Resolution	Yes	Yes	Yes	Yes	Yes
Initial Resolution Published	Yes	NO	NO	NO	NO
Report by Director of Local Finance	Approval	Approval	Approval	Approval	Approval
Maximum Amount	No Maximum	No Maximum	No Maximum	60% of anticipated appropriations for the current fiscal year	The principal amount of the notes shall not exceed an amount as determined by the commissioner of finance and administration, as specified in the intergovernmental transfer agreement.
PAR	99%	99%	100% and accrued interest	100% and accrued interest	100% and accrued interest
Serial	Yes	Yes	Yes	Yes	Yes
Sale Type Negotiated	Yes	Yes	Yes	Yes	Yes
Competitive	Yes	Yes, Notes over \$2,000,000 and with a term longer than 3 years shall be sold at competitive sale. Notes less than \$2,000,000 with a term longer than 3 years may be sold using an informal bid process as approved by State Director.	Yes	Yes	Yes
Security	Taxing Power, Revenue, or Taxing Power and Revenue	Taxing Power, Special Tax, Taxing Power and Revenue	Pledge of moneys for principal amount. General obligation of local government or may levy ad valorem taxes for interest.	Current Fiscal Year taxes and revenues.	Secured solely by the payments by the state to the local government pursuant to an approved intergovernmental transfer agreement.
Term (Yrs)	2	3, 7, and 12	Initially up to 3 years or with approval of Director of Local Finance 7 years	Current Fiscal Year	The notes shall mature no later than thirty (30) days from the date of issuance.
Renewal	2 Terms	a. 3 Year - Extension 2 Terms b. 7 Years -Extension 3 years c. 12 Years- None	a. 3 Year - Extension 7 Years b. 7 Years -Extension 3 years	N/A	N/A
Total Life (Yrs)	6	a. 3 Year - 9 Years b. 7 Years - 10 years c. 12 Years-12 Years	10	One Year or Less	30 Days
Renewal Approved by Director of Local Finance	Yes	Yes	Yes	N/A	N/A
Periodic Retirement Waiver	Yes	Yes	N/A	N/A	N/A
Minimum Retirement of Principal per Year	1/20th	a. 3 Year - 1/9 per year b. 7 Years - 1/10 per year c. 12 Years-Level Debt Service	N/A	100%	100%
Other Special Requirements	None	20 Year notes issued to the EPA	None	None	Determination of Amount by Commissioner of Finance & Administration
Authority	TCA 9-21 Part 5	TCA 9-21 Part 6	TCA 9-21 Part 7	TCA 9-21 Part 8	TCA 9-21 Part 11

2. Public Works Projects Defined by Title 9 Chapter 21 Section 105, TCA

A. General Government

City and Town Halls

Courthouses

Local Government Stables or Garages

Public Buildings

Plazas

Parking Facilities

Memorials

Fire Alarm Systems

Voting Machines

Community Houses

Facilities for the Indigent

Public Safety

Ambulances

Corrective, detention and penal facilities, including, but not limited to, jails, workhouses and reformatories

Fire Department Equipment and Buildings

Law Enforcement and Emergency Services Equipment

Health

Dispensaries

Facilities for the handicapped, including physically and mentally handicapped

Health Centers and Clinics, including medical and mental health centers and clinics

Hospitals

Nursing Homes

Sanitariums

Public Recreation

Acquisitions of Land for the Purpose of Providing or Preserving Open Land

Auditoriums

Expositions

Fairgrounds and Fairground Facilities

Museums

Parks

Playgrounds

Public art

Preserves

Recreation Centers and Facilities

Stadiums

Swimming Pools

Zoos

Public Works

Flood Control

Levees

Facilities for the storage and maintenance of any of the items of equipment
which constitute public works projects

Reclamation of Land

Solid Waste

Garbage Collection and Disposal Systems

Incinerators

B. Education

Libraries

Schools

Transportation Equipment for Schools

C. Transportation

Airports

Alleys

Bridges

Curbs

Harbor and Riverfront Improvements

Highways

Major Roads

Highway and Street equipment

Parkways

Port Facilities

Railroads, including railway beltlines and switches

Rights-of-Way

River and Navigation Improvements, Roads

Ship Canals

Sidewalks

Streets

Tunnels

Urban Transit Facility

Wharves

D. Utilities

Culverts

Drainage Systems, including storm water sewers and drains

Electric Plants and Systems

Gas and Natural Gas Systems and Storage Facilities

Heat Plants and Systems

Reservoirs

Sewers

Sewage and Waste Water Systems, including, but not limited to, collection,
drainage, treatment and disposal systems

Thermal Transfer Generating Plants and/or distribution systems

Viaducts

Water Treatment Distribution and Storage Systems

E. Economic Development

Hotels and supporting or incidental facilities built by local governments which are built adjacent to and as a supporting facility of civic or convention centers located in municipalities which have created a central business improvement district under the provisions of the “Central Business Improvement District Act of 1971,” compiled in TCA Title 7, Chapter 84

Improvements made pursuant to a plan of improvement for a central business improvement district created pursuant to the “Central Business Improvement District Act of 1971,” compiled in TCA Title 7, Chapter 84

Markets

Business park

Abattoirs (slaughterhouses)

Industrial park

Urban renewal project

3. General Requirements

1. **Limits on Indebtedness** Except as noted, there is no limit on indebtedness provided by the “Local Government Public Obligations Act of 1986” (Title 9 Chapter 21 Tennessee Code Annotated), the Act, for notes.
2. **Negotiability** Any notes issued by a local government pursuant to the provisions of the Act shall be fully negotiable for all purposes in the absence of an express recital on the face of the note that it is nonnegotiable.
3. **Local Government Powers** Local governments have the following powers under the Act: a) contract debts in order to make grants, donations, reimbursements or loans to one (1) or more local governments, local government instrumentalities, or utility districts for the construction of any public works project; b) Borrow money for the construction of any public works project; or c) Issue bonds or notes to finance such construction, grant, donation, reimbursement or loan for the construction of any public works project.

Pledge the full faith, credit and unlimited taxing power of the local government as to all taxable property in the local government or a portion of the local government, if applicable, to the punctual payment of the principal of and interest on the bonds or notes issued to finance any public works project, except bonds or notes and the interest thereon payable exclusively from revenues of a public works project.

Assess, levy and collect ad valorem taxes on all taxable property within the local government or a portion of the local government, if applicable, sufficient to pay the principal of and interest on the bonds or notes issued to finance any public works project, except bonds or notes and the interest thereon payable exclusively from revenues of a public works project.

4. **Actions by Resolutions** All actions required or authorized to be taken under the Act by the governing body of a local government may be by resolution.
 - a. The resolution may be adopted at the meeting, regular or special, of the governing body at which the resolution is introduced, and shall take effect immediately upon adoption;
 - b. Except as otherwise provided in the Act, no resolution under the Act need be published or posted;
 - c. Nor shall any such resolution be subject to veto by the chief executive officer or presiding officer of the governing body;

- d. Nor shall any such resolution require for its passage more than a majority vote of all the members of the governing body then in office;
 - e. The resolution may delegate authority to the chief executive officer of the local government to sell notes or bonds under the Act.
- 5. **Fiscal Agent** Any local government has the power in connection with the issuance of bonds or notes to appoint a fiscal agent, to provide for the powers, duties, functions and compensation of such fiscal agent, to limit the liabilities of the fiscal agent, to prescribe a method for the resignation, removal, merger or consolidation of the fiscal agent, the appointment of a successor fiscal agent, and the transfer of rights and properties to the successor fiscal agent.
- 6. **Tax-Exemption** Any bonds or notes issued by a local government pursuant to the provisions of the Act and the income therefrom shall be exempt from all **state, county and municipal** taxation except for inheritance, transfer and estate taxes, and except as otherwise provided in the Tennessee Code Annotated.
- 7. **Public Debt Entity Form** All public entities must file a Public Debt Entity Form (Comptroller Form CT-2053) with the Director of Local Finance ***within 45 days of entrance into a debt obligation.*** "Debt obligation" means bonds, notes, debentures, and lease purchase agreements with a maturity greater than one (1) year after issuance or incurrence without regard to whether the interest thereon is excludable from federal income tax. The list of public entities which have failed to comply with the filing of the Public Debt Entity Form shall be a public record, and the director shall immediately respond to any request concerning whether a public entity is currently on the list. If a public entity is on the director's list of public entities which have failed to comply with this section as described herein, ***no debt obligations may be issued by such public entity*** without submitting to the director all the information required by TCA § 9-21-151 for any debt obligations for which such information is deficient and receiving notification from the director that such public entity has been removed from the list.
- 8. **Annual Budget Approval** Local governments issuing notes under the authority of the Act are required to submit a cash basis balanced annual budget in a form consistent with accepted governmental standards and as approved by the state director of local finance for approval. The budget will be approved if it demonstrates the local government has appropriated sufficient funds to pay all outstanding debt obligations and balanced the budget on a cash basis. Local governments must balance their budgets and assure payment of all debt obligations. ***Local governments not submitting a balanced budget with all debt obligations met shall be required to publish a notice in a newspaper of general circulation within the local government once each week for two (2) consecutive weeks, stating that a proper budget has not been submitted to the state director, and that the local government is operating contrary to the provisions of this part and without an official budget.*** Further notes will not be approved by the Director until the local government meets the requirements of the Act.
- 9. **Invalid Obligations** Any note or promise to repay money (herein called "obligation") issued or made under this Act contrary to requirements precedent to the issuance of notes under Title 9 Chapter 21 Part 4-8, **shall not** constitute a valid obligation of the local government and shall be subject to the restrictions and penalties of this section. During any period in which the obligation has not met such requirements, the creditor (or holder) of such obligation ***shall forfeit any right to interest on such obligation.*** The creditor (or holder) may be directed to repay to the state general fund any forfeited interest received by the creditor (or holder) by an order of an administrative law judge or a circuit or chancery court. The comptroller of the treasury on the comptroller's own initiative, or petition of any state agency, resident or taxpayer of the locality, may convene an administrative hearing, or the comptroller of the treasury or any resident or taxpayer of the locality may petition the circuit or chancery court.

10. **Remedies for Noteholders** Any holder of notes issued pursuant to the Act has the right, in addition to all other rights:
- a. By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce such holder's rights against the local government, the governing body of the local government and any officer, agent, or employee of the local government, including, but not limited to, the right to require the local government, the governing body and any proper officer, agent or employee of the local government to assess, levy and collect taxes, and to fix and collect fees, rents, tolls, or other charges adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the local government, the governing body of the local government and any officer, agent or employee of the local government to carry out any other covenants and agreements, and to perform its and their duties under this chapter. No holder or holders of notes payable exclusively from the revenues of a public works project shall ever have the right to compel the levying and collection of taxes to pay such notes and the interest thereon.
 - b. By action or suit in equity to enjoin any acts or things which may be unlawful or a violation of the rights of such holder or holders of notes.
11. **Interfund Loans** The Act authorizes local governments to make interfund loans in accordance with procedures for issuance of notes in Part 5 (Bond Anticipation Notes), Part 7 (Grant Anticipation Notes) or Part 8 (Tax Anticipation Notes) of Title 9 Chapter 21 or *TCA* § 9-21-604 (Three Year Capital Outlay Notes).
12. **INDUSTRIAL PARK/BUSINESS PARK FINANCING** Any local government that plans to issue bond anticipation notes or capital outlay notes to finance any development or improvement for an industrial park must first comply with the provisions of Title 13, Chapter 16, Part 2, Tennessee Code Annotated regarding a Certificate of Public Purpose and Necessity. Any local government which plans to issue bond anticipation notes or capital outlay notes to finance any development or improvement for a business park must first comply with the provisions of Title 9, Chapter 21, Part 105(20)(B)(vi) regarding a Certificate of Public Purpose and Necessity.

NOTE TYPES & APPROVAL PROCEDURES

A. Bond Anticipation Notes

Bond anticipation notes require the approval of the Director of Local Finance. The authority for the issuance of Bond Anticipation Notes (BANs) is found in *TCA* Title 9 Chapter 21 Part 5.

1. Procedure for Approval

BANs are issued in anticipation of a bond issuance.

A. Authorized purposes for BANs.

1. Public works projects as defined in *TCA* § 9-21- 105; and, if to finance an industrial park, must comply with *TCA* 13-16 Part 2;
2. All purposes funding bonds may be issued as described in *TCA* § 9-11-103; or
3. For the purchase of property for school purposes, to purchase sites for school buildings, to erect or repair school buildings, to furnish and equip school buildings and to refund, call or make principal and interest payments on bonds or other obligations previously issued for the same purposes, as described in *TCA* § 49-3-10.

B. Resolution

Before the Director of Local Finance can approve the BANs, a resolution must be performed by the local governing body to issue and sell interest bearing bond anticipation notes for the purposes noted previously. For the following types of bonds, an initial resolution or resolution must have been properly adopted.

1. General Obligation Bonds

The BAN resolution may not take effect until the initial resolution authorizing the issuance of general bonds, shall have been adopted, published and no petition protesting the bonds has been filed. If an election is required due to protest or voluntarily requested by the governing body for the approval of the initial resolution, the Director of Local Finance may not approve BANs until the electorate has approved the resolution. In the case of a voluntarily requested election, the local governing body does not have to publish the initial resolution authorizing the issuance of bonds.

2. Revenue Bonds

The resolution for the revenue bonds must have been adopted by the local governing body and published in a paper of general circulation in the local government.

3. Funding Bonds

Funding bonds need to have been approved by the Director of Local Finance pursuant to *TCA* 9-11. The BAN resolution must state bonds are being issued pursuant to *TCA* Title 9 Chapter 11

4. Title 49 School Bonds

The Director of Local Finance requires that the BAN resolution, if applicable, must state school bonds will be issued under Title 49 Chapter 3 Part 10.

5. BAN Resolution

See model resolution and *TCA* Title 9 Chapter 21 Part 4 and Part 5 for information concerning contents of BAN resolutions.

C. Documentation Required by the Director of Local Finance for Approval

1. Certified copy of the initial bond resolution authorizing the issuance of the general obligation bonds or the bond resolution authorizing revenue, funding bonds, or school bonds with original signatures. Certified by city clerk, county recorder, or other appropriate official embossing the copy with the appropriate seal and signing a

statement attesting that this document is a true copy of the resolution properly passed by the local governing body.

2. Certified copy of the resolution authorizing the issuance of bond anticipation notes.
3. Documentation of initial bond resolution having been published in a newspaper of general circulation in the local government for general obligation or the notice for revenue bonds.
4. Certified documentation indicating no protest was made against the initial resolution for general obligation bonds during the 20-day protest period.

D. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Director of Local Finance after Approval.

A. Report on Debt Obligation (Comptroller Form CT – 0253)

This form will be submitted to the Division of Local Finance within 45 days of issuance of the BANs by the issuing local government. The Official Statement for the debt issue should be sent with the CT-0253. See Appendix A for guidelines and a blank CT –0253. Required by *TCA* § 9-21-151(6) (c).

B. Annual Budget Approval

TCA § 9-21-403 requires the Director of Local Finance approve the annual budget. This must be done each year to ensure:

- a. statutory requirements for a balanced budget are met and
- b. the local government is meeting its debt service requirements.

The following items will generally be requested by the Director to make his approval.

1. A copy of the detailed budgets for all funds/departments. This must include revenues, expenditures, and fund balances/retained earnings.
2. A certified copy (certification by appropriate official regarding approval by the legislative body) of the appropriation and tax rate ordinances/resolutions.
3. A detailed statement of the estimated revenues and expenses for the current fiscal year ending.
4. A statement of outstanding debt, this should indicate the type of debt (bond, note, loan agreement, etc.) and should indicate the annual debt service requirements for principal and interest to maturity, including the requirements for the coming fiscal year, which will be compared to the appropriations for debt service included in the budget document.
5. Budget amendments will be submitted to the Director for approval to insure the continuation of a balanced budget.

Please refer to the appropriate budgeting manual from the Division and the annual budget memorandum for further assistance. See Appendix B for sample annual budget memo.

3. Security for Bond Anticipation Notes

TCA § 9-21-504 describes the types of revenues that may be used to secure BANS.

A. General Obligation Bonds

Taxing power of the local government on all or a portion of the taxable property will be used to secure BANS for bonds secured by the full faith and credit of the local government. May have the same revenues attached which would be used to secure the associated bond. Proceeds from the bond issue for a public works project will be used to pay any BANS issued. Other funds available to the local government may be used to retire the notes.

B. Funding Bonds

Taxing power of the local government on all or a portion of the taxable property will be used to secure BANS for bonds secured by the full faith and credit of the local government. Other funds available to the local government may be used to retire the notes.

C. Revenue Bonds

Revenues from the public works project may secure BANS issued in anticipation of issuance of revenue bonds.

D. Title 49 School Bonds

Taxing power of the local government on all or a portion of the taxable property will be used to secure BANS for bonds secured by the full faith and credit of the local government. May have the same revenues attached which would be used to secure the associated bond. Other funds available to the local government may be used to retire the notes.

4. Method of Sale

Per *TCA* § 9-21-503 BANS may be sold at either a competitive public sale or at a private negotiated sale as the governing body may direct. No approval for the method of sale is required from the Director.

5. Extension or Renewal of Bond Anticipation Notes

BANS are issued for a term of up to two years. With the approval of the Director of Local Finance, BANS may be renewed for two additional two years terms. Application to the Director of Local Finance shall be made by resolution of the governing body. Each year of the extension or renewal not less than 1/20th of the original principal amount must be retired. The Director of Local Finance may waive the requirement of periodic retirement during the extension or renewal periods.

BOND ANTICIPATION NOTES

RESOLUTION OF THE GOVERNING BODY OF

_____, TENNESSEE, AUTHORIZING

THE ISSUANCE, SALE, AND PAYMENT OF

_____BOND ANTICIPATION NOTES

NOT TO EXCEED \$ _____

WHEREAS, the Governing Body of _____, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, the Local Government intends to issue and sell general obligation bonds (the "Bonds") pursuant to the provisions of Title _____, Tennessee Code Annotated, to finance the cost of the Project; and, if required by law, has duly adopted an initial resolution authorizing the issuance of the Bonds; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to issue and sell interest bearing bond anticipation notes for the purpose of providing funds in anticipation of the issuance of bonds upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of bond anticipation notes at this time:

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds in anticipation of the issuance of the Bonds, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the State Director of Local Finance, to issue and sell interest-bearing bond anticipation notes in a principal amount not to exceed _____ Dollars (\$_____) (the "Notes") at either a competitive public sale or at a private negotiated sale pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated "_____Bond Anticipation Notes, Series 20__", shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination(s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ percent (_____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than two (2) years after the date of issuance. If any of the Notes shall remain unpaid at the end of two (2) years from the original issue date, then the

unpaid Notes shall be renewed or extended as permitted by law, or retired from the funds of the Local Government or be converted into bonds pursuant to state law, or be otherwise liquidated as approved by the State Director of Local Finance.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount an accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government and, for the purpose of providing funds for the payment of principal of and interest on the Notes, the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable, the Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Notes, describe such revenues here.)

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of providing funds in anticipation of the issuance of the Bonds pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Bonds will be issued under the authority of Title _____ of Tennessee Code Annotated.

Section 9. That, this Resolution shall not be effective until the initial resolution authorizing the issuance of the Bonds, if required by law, shall have been adopted and published, and no petition protesting the issuance of the Bonds shall have been filed as permitted by law.

Section 10. That, the Notes may be renewed or extended as permitted by law.

Section 11. The Notes shall not be sold until receipt of the State Director of Local Finance's written approval for the sale of the Notes.

Section 12. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 13. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage and the satisfaction of all conditions referenced in this Resolution.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

BOND ANTICIPATION NOTE FORM

Registered _____ Registered

(Local Government)
No. R- _____ of the \$ _____

State of Tennessee

Bond Anticipation Note Series 20 _____

Bond Anticipation Extension Note Series 20 _____

<u>DATED</u>	<u>INTEREST</u> <u>RATE</u>	<u>MATURITY</u> <u>DATE</u>
_____, 20____	_____%	_____, 20____

Registered Owner: _____
Principal Sum: _____

The _____ (Governing Body) of _____, Tennessee (the Local Government) hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof (named above), or registered assigns, the Principal Sum (specified above) on the Maturity Date (specified above) (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay interest on the Principal Sum on _____ and thereafter on _____ of each year at the Interest Rate per annum (specified above), by check, draft, or warrant mailed to the Registered Owner at the address of the Registered Owner as it appears on the fifteenth (15th) calendar day of the month next preceding the applicable payment date in the note register maintained by or on behalf of the Local Government. Both principal of and interest on this note are payable at the office of the _____ of the Local Government or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is a direct obligation of the Local Government for the payment of which as to both principal and interest the full faith and credit of the Local Government is pledged.

This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the interest accrued thereon to the date of redemption with a premium of _____ % of par value.

This note is issued under the authority of Parts I, IV, and V of Title 9, Chapter 21, Tennessee Code Annotated, and a Resolution duly adopted by the Governing Body of the Local Government meeting in

session on the _____ day of _____, 20____ (the "Resolution") to provide funds in anticipation of the issuance of the bonds referenced in the Resolution.

This note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the Registered Owner of the note in person or by the Registered Owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent of the note together with a written instrument of transfer satisfactory to the Local Government duly executed by the Registered Owner or the Registered Owner's duly authorized attorney but only in the manner as provided in the Resolution of the Local Government authorizing the issuance of this note and upon surrender hereof for cancellation. Upon the transfer of any such note, the Local Government or its agent shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Title 9, Chapter 21, Section 117, Tennessee Code Annotated provides that this note and interest thereon are exempt from taxation by the State of Tennessee or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Governing Body of the Local Government has caused this note to be executed in the name of the Local Government by the manual signature of the _____, and countersigned and attested by the manual signature of the _____ with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the _____ day of 20____.

_____(Local Government Chief Executive)

ATTESTED: _____(City Recorder/County Clerk)

ASSIGNMENT

Note No. R-_____.

Amount: \$_____.

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of assignee)

(Please indicate social security or other tax identifying number of assignee)

The within-mentioned note and hereby irrevocably constitutes and appoints _____, attorney-in-fact, to transfer the same on the note register in the office of the _____ or the agent of the Local Government with full power of substitution in the premises.

Date: _____

Assignor: _____

Address: _____

Signature Guaranteed by: _____

NOTE: The signature as to this assignment must correspond with the name as written on the face of the within note in every particular, without alteration, enlargement or any change whatsoever.

B. Capital Outlay Notes

Capital Outlay Notes require the approval of the Director of Local Finance. The authority for issuance of Capital Outlay Notes (CONs) is found in *TCA* Title 9 Chapter 21 Part 6.

1. Procedure for Approval

A. Authorized purposes for CONs.

1. All purposes for which bonds can be legally authorized and issued by a local government as defined in *TCA* § 9 – 21 – 105 for public works projects.
2. Property valuation
3. Tax assessment
4. Tax equalization programs
5. For the U.S. Environmental Protection Agency asbestos in school hazard abatement program as described in *TCA* § 9 – 21 – 611 (a).

B. Types of CONs

Type of CON	3 Year	7 Year	12 Year	20 Year
Purposes	Public Works Projects, Property Valuation, Tax Assessment, Tax Equalization Programs	Land Only	Public Works Projects, Property Valuation, Tax Assessment, Tax Equalization Programs	U.S EPA asbestos in school hazard abatement program
Term (Years)	3	7	Over 3 to 12	Up to 20
Extension or Renewal	Yes	Yes	Yes	NO
Maximum Length of Extension	2 Terms (9 Year Life)	3 years (10 Year Life)	up to 12 years from date of issue	<i>N/A</i>
Extension or Renewal Approval by Director of Local Finance	Yes	Yes	Yes	<i>N/A</i>
Retirable with New Bond	Yes	Yes	Yes	<i>N/A</i>
Retiring Approval by Director of Local Finance <i>TCA</i> 9-21-606 <i>TCA</i> 9-21-610	Yes (If retired 2 years after issuance)	Yes (If retired 2 years after issuance)	Yes (If retired 2 years after issuance)	<i>N/A</i>
Periodic Retirement	1/9 of the Original Principal	1/10 of the Original Principal	Level Debt Service	Level Debt Service
Periodic Retirement Waivable by Director of Local Finance	Yes	Yes	Yes	Yes
Refundable	NO	NO	Yes See <i>TCA</i> § 9-21-612	NO

C. Resolution

Before the Director of Local Finance can approve CONs, the local governing body must first perform a resolution to issue and sell interest bearing capital outlay notes for the purposes previously noted. See *TCA* Title 9 Chapter 21 Part 4 and Part 6 for information concerning contents of CON resolutions.

D. Documentation Required by the Director of Local Finance for Approval

A certified copy of the resolution authorizing the issuance of capital outlay notes with the actual signatures of the approving authority and actual signature and seal of the certifying officer: county clerk or city clerk or recorder should be submitted to the Director.

(NOTE: The appropriate government official or entity will certify documents.)

E. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Law after Approval by the Director of Local Finance.

A. Report on Debt Obligation (Comptroller Form CT – 0253)

This form will be submitted to the Division of Local Finance within 45 days of issuance of the CONs by the issuing local government. The Official Statement for the issue should be sent with the CT-0253. See Appendix A for guidelines and a blank CT –0253. Required by *TCA* § 9-21-151(6) (c).

B. Annual Budget Approval

TCA § 9-21-403 requires the Director of Local Finance approve the annual budget. This must be done each year to ensure:

- a. statutory requirements for a balanced budget are met and
- b. the local government is meeting its debt service requirements.

The following items will generally be requested by the Director to make his approval.

1. A copy of the detailed budgets for all funds/departments. This must include revenues, expenditures, and fund balances/retained earnings.
2. A certified copy (certification by appropriate official regarding approval by the legislative body) of the appropriation and tax rate ordinances/resolutions.
3. A detailed statement of the estimated revenues and expenses for the current fiscal year ending.
4. A statement of outstanding debt, this should indicate the type of debt (bond, note, loan agreement, etc.) and should indicate the annual debt service requirements for principal and interest to maturity, including the requirements for the coming fiscal year, which will be compared to the appropriations for debt service included in the budget document.
5. Budget amendments will be submitted to the Director for approval to insure the continuation of a balanced budget.

Please refer to the appropriate budgeting manual from the Division and the annual budget memorandum for further assistance. See Appendix B for sample annual budget memo.

3. Security for Capital Outlay Notes (TCA § 9-21-603)

Capital outlay notes are secured by the taxing power of a local government through a pledge of ad valorem taxes on all taxable property in a local government. A special tax may be created specifically for the retirement of the debt over and above all other taxes authorized or limited by law to be imposed and levied on all taxable property in the local government.

Revenues generated by income producing public works projects for which debt was incurred may be pledged for the payment of CON principal and interest. This revenue pledge is in addition to the pledge of ad valorem taxes on all taxable property in a local government. A debt instrument having revenues pledged as well as the taxing power of a local government is referred to as a “double barreled” note.

4. Method of Sale

A. Three and Seven Year Capital Outlay Notes

Per TCA § 9-21-604 & 607 three-year and seven-year CONs may be sold at either a competitive public sale or at a private negotiated sale as the governing body may direct. No approval for the method of sale is required from the Director. Method of sale must be stated specifically in the CON resolution. See 4.b.1 for a description of the competitive sale process.

B. Twelve Year Capital Outlay Notes

Capital outlay notes authorized under § 9-21-608 may be sold either at a competitive public sale or by an informal bid process. When sold by the informal bid process, whenever possible, the local government will contact at least three (3) financial institutions by telephone or letter and ask for a rate or rates of interest for the term or terms of such notes. If the informal bid process is used, the local government shall comply with the provisions outlined in subsection (2). The local government will submit a *request for approval letter* along with the appropriate certified Twelve-Year Capital Outlay Note Resolution and other necessary supporting documentation.

The local government shall state and demonstrate in its request for approval for a Twelve-Year Capital Outlay Note to the Director the following:

1. that the proposed sale is feasible,
2. that the proposed sale is in the best interests of the local government,
3. the local government should be able to amortize the proposed indebtedness, together with all other obligations then outstanding.

The Director shall notify the governing body of the local government of the Director's approval or disapproval **within ten (10) days from the date that the Director receives all required information**. If the state director approves a sale for the capital outlay notes or if the state director fails to act within such time, then the local government may proceed to sell the notes in a competitive public sale. If the state director approves a sale by informal bid the local government may sell the notes in that manner.

1. Competitive Sale

The local government shall publish a notice of sale **at least five (5) days** prior to the date on which twelve year CONs are to be sold at competitive public sale in a newspaper having general circulation in the local government and in addition when the total amount of CONs to be sold is greater than five million dollars (\$5,000,000) in a financial newspaper published in New York, New York, having national circulation (e.g. Wall Street Journal, Bond Buyer).

The *notice of sale* shall set forth the:

- a. date
- b. time and place of sale
- c. maximum amount of capital outlay notes to be sold,
- d. maximum interest rate
- e. maximum discount, if any, in dollars or as a percentage of par value that will be permitted
- f. basis upon which the capital outlay notes will be awarded.

2. Informal Bid

If Twelve-Year Capital Outlay Notes are to be sold through the informal bid process, then the local government shall first submit to the Director for approval:

- a. a copy of the adopted resolution authorizing the notes,
- b. a copy of the proposed disclosure statement, if any,
- c. a statement showing the estimated annual principal and interest requirements for the notes, and
- d. a detailed statement showing the estimated cost of issuance which shall include at least the following, if applicable:
 - (1) Fiscal agent and/or financial advisor fees;
 - (2) Bond counsel fees;
 - (3) Other legal charges, if any;
 - (4) Credit enhancement fees;
 - (5) Trustee fees;
 - (6) Registration fees;
 - (7) Paying agent fees;
 - (8) Rating agency fees;
 - (9) Underwriters' discount or charges;
 - (10) Remarketing agent fees;
 - (11) Printing, advertising and other expenses; and
 - (12) The number of financial institutions contacted and if only one (1) institution was contacted, a statement as to why only one (1) institution was contacted;
- e. any other information deemed pertinent to the note issue by the local government.

If the state director does not approve the proposed negotiated sale, then the local government may proceed to sell the notes at a competitive public sale in the manner provided by subsection (1).

5. Extension or Renewal of Capital Outlay Notes

A. Application for extension or renewal of three-year capital outlay notes and capital outlay notes issued for the acquisition of land.

Application to the Director for an extension or renewal of the maturity date of Three and Seven Year Capital Outlay shall be by resolution of the governing body of the local government.

B. Application for extension or renewal of capital outlay notes issued for greater than three (3) years but not greater than twelve (12) years - Renewal of notes.

Application to the Director of local finance for an extension or renewal of the maturity date of Twelve Year Capital Outlay Notes shall be by resolution of the governing body of the

local government, and such extension or renewal shall not extend the final maturity date of the notes beyond twelve (12) years from the date of the initial issuance of such notes. If the requested extension is for a period greater than three (3) years, then the local government must comply with the provisions of *TCA* § 9-21-609(b) (competitive sale) or of *TCA* § 9-21-609(c) (informal bid) prior to the issuance of the renewal or extension notes.

6. Conversion of Notes to Bonds

A. *Three and Seven Year Capital Outlay Notes converted to bonds two (2) years after the date of original issuance must have the approval of the Director.* The local government must submit a request indicating to the Director that it wishes to convert notes to bonds with any necessary supporting documentation.

B. *Twelve Year Capital Outlay Notes converted to bonds two (2) years after the date of original issuance must have the approval of the Director.* The local government must submit a request indicating to the Director that it wishes to convert notes to bonds with any necessary supporting documentation. Notes converted prior to the time two years has elapsed can be converted without the Director's approval.

7. Refunding of Twelve Year Capital Outlay Notes

Twelve Year Capital Outlay Notes may be refunded by issuing capital outlay notes in accordance with the requirements and procedures set forth in this *TCA* Title 9 Chapter 21 Part 6 and in *TCA* §§ 9-21-903, 9-21-904, 9-21-910, 9-21-912, 9-21-913 and 9-21-914. A report of refunding in accordance with the requirements set in *TCA* § 9-21-903 must be requested from the Director as well as the approval required by *TCA* § 9-21-601. The final maturity date of the refunding notes shall not be later than the final maturity date of the notes being refunded, unless otherwise approved by the state director of local finance.

THREE -YEAR CAPITAL OUTLAY NOTES

RESOLUTION OF THE GOVERNING BODY OF
_____, TENNESSEE, AUTHORIZING
THE ISSUANCE, SALE, AND PAYMENT OF

CAPITAL OUTLAY NOTES
NOT TO EXCEED \$ _____

WHEREAS, the Governing Body of _____, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed _____ Dollars (\$ _____) (the "Notes") at either a competitive public sale or at a private negotiated sale upon approval of the State Director of Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated "_____ Capital Outlay Notes, Series 20__", shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ percent (_____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than three (3) years after the date of issuance and that the Notes and any extension or renewal notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least _____ years. Provided, however, that each year the Notes are outstanding, one-_____ (1/__), but in no event not less than one-

ninth (1/9), of the original principal amount of the Notes shall mature without renewal but subject to prior redemption.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable, the Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Notes, describe such revenues here.)

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Notes.

Section 9. That, the notes are hereby designated as qualified tax-exempt obligations for purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

Section 10. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 11. That, if any of the Notes shall remain unpaid at the end of three (3) years from the issue date, then the unpaid Notes shall be renewed or extended as permitted by law, or retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approval by the State Director of Local Finance.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

THREE-YEAR CAPITAL OUTLAY NOTES - EXTENSION

RESOLUTION OF THE GOVERNING BODY OF _____,
TENNESSEE, AUTHORIZING THE ISSUANCE, SALE, AND
PAYMENT OF _____
CAPITAL OUTLAY NOTES (EXTENSION 20 __) NOT TO EXCEED
\$ _____

WHEREAS, pursuant to Title 9, Chapter 21, Tennessee Code Annotated, Parts I, IV, VI, the Governing Body of _____, Tennessee, (the "Local Government") duly adopted a resolution dated _____, ____, authorizing the issuance of interest-bearing capital outlay notes (the "Original Notes") not to exceed _____ Dollars (\$ _____) to finance the cost of the Project referenced therein, (the "Resolution"); and

WHEREAS, _____ Dollars (\$ _____) of the Original Notes have been issued, sold, and dated _____, ____; and

WHEREAS, Title 9, Chapter 21, Tennessee Code Annotated provides that local governments in Tennessee are authorized to extend or renew the maturity date of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of capital outlay extension notes to extend and renew the maturity of _____ Dollars (\$ _____) of the Original Notes maturing on _____, ____;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to retire the outstanding Original Notes, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the State Director of Local Finance, to issue and sell interest-bearing capital outlay extension notes in the principal amount not to exceed _____ Dollars (\$ _____) (the "Extension Notes") at either a competitive public sale or at a private negotiated sale pursuant to the terms, provisions, and conditions permitted by law. The Extension Notes shall be designated "_____ Capital Outlay Extension Notes, Series 20__"; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ per cent (__%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Extension Notes shall mature not later than three (3) years after the date of issuance and that the term of the Original notes, Extension Notes and any further extension or renewal notes, in combination, shall not exceed the reasonably expected economic life of the Project, as certified by the Governing Body in the Resolution. Provided, however, that unless otherwise approved by the State Director of Local Finance, each year the Extension Notes are outstanding, one-____ (1/__), but in

no event not less than one-ninth (1/9), of the original principal amount of the Original Notes shall mature without renewal but subject to prior redemption.

Section 3. That, the Extension Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable the Extension Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Extension Notes, describe such revenues here.)

Section 5. That, the Extension Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Extension Notes will be issued in fully registered form and that at all times during which any Extension Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Extension Notes. The note transfer, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Extension Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Extension Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instruction of transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Extension Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Extension Note. The Local Government shall not be obligated to make any such Extension Note transfer during the fifteen (15) days next preceding an interest payment date on the Extension Notes, or in the case of any redemption of Extension Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Extension Notes shall be in substantially the form attached hereto and shall recite that the Extension Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Extension Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Extension Notes.

Section 9 That, after the sale of the Extension Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 10. That, if any of the Extension Notes shall remain unpaid at the end of three (3) years from the issue date, then the unpaid Extension Notes shall be renewed or extended as permitted by law or retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approved by the State Director of Local Finance.

Section 11. That, all orders or resolutions in conflict with this resolution are hereby repealed insofar as such conflict exists and this resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

LAND PURCHASE CAPITAL OUTLAY NOTES

RESOLUTION OF THE GOVERNING BODY OF _____, TENNESSEE, AUTHORIZING
THE ISSUANCE, SALE, AND PAYMENT OF
LAND PURCHASE CAPITAL OUTLAY NOTES
NOT TO EXCEED \$ _____

WHEREAS, the Governing Body of _____, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): Purchase land for the purpose of:

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the State Director of Local Finance, to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed _____ Dollars (\$ _____) (the "Notes") at either a competitive public sale or at a private negotiated sale pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated "_____ Capital Outlay Notes, Series 20__", shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ percent (____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than seven (7) years after the date of issuance and that the Notes and any extension or renewal notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least ten (10) years. Provided, however, that unless otherwise approved by the State Director of Local Finance, each year the Notes are outstanding, at least one-_____ (1/__), but in no event not less than one-tenth (1/10), of the original principal amount of the Notes shall mature without renewal but subject to prior redemption.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable (for revenue producing programs, only), the Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Notes, describe such revenues here.)

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form required by law and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. The Notes shall not be sold until receipt of the State Director of Local Finance's written approval for the sale of the Notes.

Section 9. That, the notes are hereby designated as qualified tax-exempt obligations for purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

Section 10. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 11. That, if any of the Notes shall remain unpaid at the end of seven (7) years from the issue date, then the unpaid Notes shall be renewed or extended as permitted by law, or retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approval by the State Director of Local Finance.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

TWELVE-YEAR CAPITAL OUTLAY NOTES—INFORMAL BID

(NOT TO EXCEED \$2,000,000)

RESOLUTION OF THE GOVERNING BODY OF
_____, TENNESSEE, AUTHORIZING THE
ISSUANCE, SALE, AND PAYMENT OF
CAPITAL OUTLAY NOTES NOT TO EXCEED \$ _____
PURSUANT TO THE INFORMAL BID PROCESS

WHEREAS, the Governing Body of _____, Tennessee, (the "Local Government") has determined that it is necessary and desirable to issue capital outlay notes in order to provide funds for the following public works project (the "Project"): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest-bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the State Director of Local Finance, to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed _____ Dollars (\$ _____) (the "Notes") by an informal bid process pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated " _____ Capital Outlay Notes, Series 20__ "; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination(s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ per cent (%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than twelve (12) years after the date of issuance and, unless otherwise approved by the State Director of Local Finance, the Notes shall be amortized in an amount reflecting

at least level debt service on the Notes approximately according to the following schedule:

<u>FISCAL YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>FISCAL YEAR</u>	<u>PRINCIPAL AMOUNT</u>
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

The Notes shall not exceed the reasonably expected economic life of the Project which is hereby estimated to be at least _____ years.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local Government over and above all other taxes authorized by the Local Government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable, the Notes shall be further secured by

 (If the revenues generated by Project are to be applied as additional security for the Notes, describe such revenues here.)

Section 5. That, the Notes shall be executed in the name of the Local Government; shall bear the manual signature of the chief executive officer of the Local Government and the manual signature of the county clerk, city recorder or other similar local government official as authorized by the governing body together with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the local government official as authorized by the Local Government or at the office of the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the county trustee, in the case of counties, or, in the case of municipalities or metropolitan governments, with the official designated by law as custodian of the funds. All proceeds shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Notes. The note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized

officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument or transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form authorized by the State Director of Local Finance and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, prior to the sale of the Notes, the Local Government shall submit a copy of this resolution authorizing the Notes to the State Director of the Local Finance for approval and a copy of the proposed disclosure statement, if any, and a statement showing the estimated annual principal and interest requirements for the Notes and a detailed statement showing the estimated cost of issuance which shall include at least the following, if applicable: (1) fiscal agent and/or financial advisor fees; (2) bond counsel fees; (3) other legal charges if any; (4) credit enhancement fees; (5) trustee fees; (6) registration fees; (7) paying agent fees; (8) rating agency fees; (9) underwriters' discount or charges; (10) remarketing agent fees; (11) printing, advertising and other expenses; (12) the number of financial institutions contacted by telephone or by letter (which should be at least three if possible) for the purpose of obtaining interest rates, and if only one institution was contacted a statement as to why only one institution was contacted.

In its request for approval, the Local Government shall state and demonstrate that the proposed sale by the informal bid process is feasible, in the best interest of the Local Government, and that the Local Government should be able to amortize the proposed indebtedness together with all the obligations then outstanding.

Section 9. The Notes shall not be sold until receipt of the State Director of Local Finance's written approval for the sale of the Notes.

Section 10. That, the notes are hereby designated as qualified tax-exempt obligations for purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

Section 11. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 12. That, if any of the Notes shall remain unpaid at the end of twelve (12) years from the issue date, then the unpaid Notes shall be retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approval by the State Director of Local Finance.

Section 13. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists; and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

ATTACHMENT FOR \$ _____ (amount)
_____ (description)
INFORMAL BID CAPITAL OUTLAY NOTES

As required by Title 9, Chapter 21, Part 609, Tennessee Code Annotated, this information is being submitted to the State Director of Local Finance to request approval to issue these notes by the informal bid process:

1. The informal bid process is feasible.
2. The informal bid process is in the best interest of the Local Government.
3. The Local Government will be able to amortize these notes together with all other outstanding obligations.
4. Interest rate proposals have been obtained by telephone or in writing from the following financial institutions (at least three should be contacted, if possible):
 - a. _____ b. _____
 - c. _____ d. _____
 - e. _____ f. _____

Interest rate proposals will be or have been submitted by telephone or in writing to the following financial institutions (at least three should be contacted, if possible):

- a. _____ b. _____
- c. _____ d. _____
- e. _____ f. _____

If only one financial institution is contacted for interest rates, a separate statement must be submitted explaining why. If “only one local bank” is the explanation, the informal bid process will not be approved.

5. _____ There are no issuance costs associated with the sale of these notes.

6. There are issuance costs, and they are itemized as follows:

Financial advisor fees:	_____
Legal counsel fees:	_____
Credit enhancement fees:	_____
Registration fees:	_____
Paying agent fees:	_____
Rating agency fees:	_____
Underwriter's fees:	_____
Remarketing agent fees:	_____
Printing and advertising:	_____
Other expenses:	_____

Signed: _____

Title: _____

TWELVE-YEAR INFORMAL BID CAPITAL OUTLAY NOTES--EXTENSION

RESOLUTION OF THE GOVERNING BODY OF _____,
TENNESSEE, AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF _____
INFORMAL BID
CAPITAL OUTLAY NOTES (EXTENSION 20 __) NOT TO EXCEED
\$ _____

WHEREAS, pursuant to Title 9, Chapter 21, Tennessee Code Annotated, Parts I, IV, and Part VI Section 608, the Governing Body of _____, Tennessee, (the "Local Government") duly adopted a resolution dated _____, _____, authorizing the issuance of interest-bearing capital outlay notes (the "Original Notes") not to exceed _____ Dollars (\$ _____) to finance the cost of the Project referenced therein, (the "Resolution"); and

WHEREAS, _____ Dollars (\$ _____) of the Original Notes have been issued, sold, and dated _____, _____ (the Original Issue Date); and

WHEREAS, Title 9, Chapter 21, Part VI, Section 610 Tennessee Code Annotated provides that local governments in Tennessee are authorized to extend or renew the maturity date of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of capital outlay extension notes to extend and renew the maturity of _____ Dollars (\$ _____) of the Original Notes maturing on _____, _____;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of extending the life of the outstanding Original Notes, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution to issue and sell interest-bearing capital outlay extension notes in the principal amount not to exceed _____ Dollars (\$ _____) (the "Extension Notes".) If the Extension Notes will be issued for a period longer than three (3) years, then such notes must be issued at competitive public sale or by informal bid upon approval of the State Director Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Extension Notes shall be designated "_____ Capital Outlay Extension Notes, Series 20__"; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ per cent (___%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Extension Notes shall mature not later than twelve (12) years after the Original Issue Date and that the term of the Original Notes and Extension Notes shall not exceed the reasonably expected economic life of the Project, as certified by the Governing Body in the Original Resolution. Provided, however, that each year the Extension Notes are outstanding, unless otherwise approved by the State Director of Local Finance, principal on the notes shall be retired in an amount that

is estimated to be at least equal to an amortization which will reflect level debt service, and shall mature without renewal but subject to prior redemption.

Section 3. That, the Extension Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable the Extension Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Extension Notes, describe such revenues here.)

Section 5. That, the Extension Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Extension Notes will be issued in fully registered form and that at all times during which any Extension Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Extension Notes. The note transfer, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Extension Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Extension Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instruction of transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Extension Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Extension Note. The Local Government shall not be obligated to make any such Extension Note transfer during the fifteen (15) days next preceding an interest payment date on the Extension Notes, or in the case of any redemption of Extension Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Extension Notes shall be in substantially the form attached hereto and shall recite that the Extension Notes are issued pursuant to Title 9, Chapter 21, Part VI, Section 610 Tennessee Code Annotated.

Section 8. The Extension Notes shall not be sold until receipt of the State Director of Local Finance's written approval for the sale of the Notes.

Section 9. That, after the sale of the Extension Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 10. That, if any of the Extension Notes shall remain unpaid at the end of twelve (12) years from the Original Issue Date, then the unpaid Extension Notes shall be retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approved by the State Director of Local Finance.

Section 11. That, all orders or resolutions in conflict with this resolution are hereby repealed insofar as such conflict exists and this resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

ATTACHMENT FOR \$ _____ (amount)

(description)
INFORMAL BID CAPITAL OUTLAY NOTES--EXTENSION

As required by Title 9, Chapter 21, Part 609, Tennessee Code Annotated, this information is being submitted to the State Director of Local Finance to request approval to issue these notes by the informal bid process:

1. The informal bid process is feasible.
2. The informal bid process is in the best interest of the Local Government.
3. The Local Government will be able to amortize these notes together with all other outstanding obligations.
4. Interest rate proposals have been obtained by telephone or in writing from the following financial institutions (at least three should be contacted, if possible):
 - a. _____ b. _____
 - c. _____ d. _____
 - e. _____ f. _____

Interest rate proposals will be or have been submitted by telephone or in writing to the following financial institutions (at least three should be contacted, if possible):

- a. _____ b. _____
- c. _____ d. _____
- e. _____ f. _____

If only one financial institution is contacted for interest rates, a separate statement must be submitted explaining why. If “only one local bank” is the explanation, the informal bid process will not be approved.

5. _____ There are no issuance costs associated with the sale of these notes.

6. There are issuance costs, and they are itemized as follows:

Financial advisor fees:	_____
Legal counsel fees:	_____
Credit enhancement fees:	_____
Registration fees:	_____
Paying agent fees:	_____
Rating agency fees:	_____
Underwriter's fees:	_____
Remarketing agent fees:	_____
Printing and advertising:	_____
Other expenses:	_____

Signed: _____

Title: _____

TWELVE -YEAR CAPITAL OUTLAY NOTES—COMPETITIVE SALE

RESOLUTION OF THE GOVERNING BODY OF
_____, TENNESSEE, AUTHORIZING
THE ISSUANCE, SALE, AND PAYMENT OF

CAPITAL OUTLAY NOTES
NOT TO EXCEED \$ _____

WHEREAS, the Governing Body of _____, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the “Project”): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed _____ Dollars (\$ _____) (the “Notes”) at a competitive public sale upon approval of the State Director of Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “_____ Capital Outlay Notes, Series 20__”, shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed _____ percent (_____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than twelve (12) years after the date of issuance and that the Notes shall be amortized in an amount reflecting at least level debt service on the Notes with

an assumed interest rate of _____%, according to the following schedule:

<u>FISCAL YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>FISCAL YEAR</u>	<u>PRINCIPAL AMOUNT</u>
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

The Notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least _____ years.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the Notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable, the Notes shall be further secured by

(If the revenues generated by Project are to be applied as additional security for the Notes, describe such revenues here.)

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the

Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered Note or Notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Local Government shall publish a notice of sale (the "Notice") at least five (5) days prior to the date on which the Notes are to be sold in both a newspaper having a general circulation in the Local Government and in a financial newspaper published in New York, New York, having national circulation. The Notice shall set forth the date, time and place of sale, the maximum amount of Notes to be sold, the maximum interest rate, the maximum discount, if any, in dollars or as a percentage of par value that will be permitted, and the basis upon which the Notes will be awarded. Provided, however, that publishing a Notice in a financial newspaper published in New York, New York, having national circulation shall not be required in any sale where the total amount of Notes to be sold is not greater than five million dollars (\$5,000,000).

Section 9. That, the Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Notes.

Section 10. That, the Notes are hereby designated as qualified tax-exempt obligations for the purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

Section 11. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

C. Grant Anticipation Notes

Grant Anticipation Notes require the approval of the Director of Local Finance. The authority for issuance of Grant Anticipation Notes (GANs) is found in *TCA* Title 9 Chapter 21 Part 7.

A local government may issue capital outlay notes or bond anticipation notes for the matching portion of public works grants in conjunction with grant anticipation notes issued under *TCA* Title 9 Chapter 21 Part 7; provided, that the proceeds from the sale of any such capital outlay notes or bond anticipation notes shall not be applied to the payment of such grant anticipation notes.

1. Procedure for Approval

A. Authorized Purposes

For public works projects secured solely by a pledge of moneys, which pledge shall not be less than the principal amount of such notes, to be *received pursuant to a contract or agreement between a state or federal agency and the local government*.

B. Resolution

Before the Director of Local Finance can approve GANs, the local governing body must perform a resolution to issue and sell interest bearing grant anticipation notes for the purposes noted previously. The resolution shall not be effective until all parties to the contract or agreement between the state or federal agency and the local government have executed the contract or agreement.

See *TCA* Title 9 Chapter 21 Part 4 and Part 7 for information concerning contents of GAN resolutions.

C. Documentation Required by the Director of Local Finance for Approval

1. Certified copy of the resolution authorizing the issuance of grant anticipation notes.
2. The fully executed contract or agreement between the state or federal agency and the local government pledging the funds for the public works project.

(NOTE: The appropriate government official or entity will certify documents.)

D. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Law after Approval by the Director of Local Finance.

A. Report on Debt Obligation (Comptroller Form CT – 0253)

This form will be submitted to the Division of Local Finance within 45 days of issuance of the GANs by the issuing local government. The Official Statement for the issue should be sent with the CT-0253. See Appendix A for guidelines and a blank CT –0253. Required by *TCA* § 9-21-151(6) (c).

B. Annual Budget Approval

TCA § 9-21-403 requires the Director of Local Finance approve the annual budget. This must be done each year to ensure:

- c. statutory requirements for a balanced budget are met and
- d. the local government is meeting its debt service requirements.

The following items will generally be requested by the Director to make his approval.

1. A copy of the detailed budgets for all funds/departments. This must include revenues, expenditures, and fund balances/retained earnings.

2. A certified copy (certification by appropriate official regarding approval by the legislative body) of the appropriation and tax rate ordinances/resolutions.
3. A detailed statement of the estimated revenues and expenses for the current fiscal year ending.
4. A statement of outstanding debt, this should indicate the type of debt (bond, note, loan agreement, etc.) and should indicate the annual debt service requirements for principal and interest to maturity, including the requirements for the coming fiscal year, which will be compared to the appropriations for debt service included in the budget document.
5. Budget amendments will be submitted to the Director for approval to insure the continuation of a balanced budget.

Please refer to the appropriate budgeting manual from the Division and the annual budget memorandum for further assistance. See Appendix B for sample annual budget memo.

3. Security for Grant Anticipation Notes (TCA § 9-21-704)

The principal amount of grant anticipation notes are solely secured by a pledge of moneys to be received pursuant to a contract or agreement between a state or federal agency and the local government. The principal amount of such notes cannot be more than the amount of moneys to be received pursuant to the fully executed contract or agreement between a state or federal agency and the local government. Grant Anticipation Note principal cannot be direct general obligations of the local government, and the local government has no authority to levy ad valorem taxes for the payment of the principal of such notes. Interest on grant anticipation notes may be a general obligation of a local government, and the local government shall have the authority to levy ad valorem taxes for the payment of interest on such notes.

4. Method of Sale (TCA § 9-21-703)

Grant anticipation notes may be sold either at a competitive public sale or at a private negotiated sale as the governing body of the local government may direct.

5. Extension or Renewal of Grant Anticipation Notes (TCA § 9-21-705)

Grant anticipation notes shall be issued for a period not to exceed three (3) years from the date of issuance; provided, that the state director may initially approve, or subsequently approve, a maturity date of such notes of not more than seven (7) years from the date of issuance, and may additionally approve a further extension or renewal not to exceed ten (10) years from the date of issuance upon application from the local government, by resolution, certifying that at least ten percent (10%) of the moneys anticipated to be received under the contract or agreement between such state or federal agency and the local government is not expected to be received within seven (7) years following the date of issuance of the notes.

GRANT ANTICIPATION NOTES

RESOLUTION OF THE GOVERNING BODY OF _____,
_____, TENNESSEE, AUTHORIZING THE
ISSUANCE, SALE, AND PAYMENT OF
_____, GRANT ANTICIPATION NOTES NOT
TO EXCEED \$ _____

WHEREAS, the Governing Body of _____, Tennessee, (the "Local Government") has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or other wise fulfill a public purpose; and

WHEREAS, there is on file in the offices of the Local Government a fully executed contract or agreement between _____ (designate the state or federal agency) (the "Agency") and the Local Government, dated _____, 20____, whereby the Agency agrees to pay the Local Government a principal amount of _____ Dollars (\$____) (the "Agency Grant") to finance the cost of the Project; and

WHEREAS, under the provisions of Part I, II, and VII of Title 9 Chapter 21, *Tennessee Code Annotated*, Local Governments in Tennessee are authorized to issue and sell interest-bearing grant anticipation notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of grant anticipation notes to provide funds in anticipation of the Agency Grant;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee as follows:

Section 1. That, for the purpose of providing funds in anticipation of the Agency Grant, the Local Government is hereby authorized to issue and sell interest-bearing grant anticipation notes in a principal amount not to exceed _____ Dollars (\$____) (the "Notes") at either a competitive public sale or at a private negotiated sale upon approval of the State Director of Local Finance pursuant to the term, provisions, and conditions of the Act. The Notes shall be designated _____ Grant Anticipation Note, Series 20____; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be sold at not less than par value and accrued interest; and shall bear interest at a rate or rates not to exceed ____ per cent (____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than _____ (designate either three/3 or seven/7 years) after the date of issuance.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time that the funds of the Agency Grant become available to the Local Government, at the principal amount and accrued interest to the date of redemption without a premium.

Section 4. That, the principal amount of the Notes shall be secured solely by the pledge of funds to be received pursuant to the Agency Grant, and the Local Government hereby pledges a portion or all of the Agency Grant in an amount at least equal to the principal amount of the Notes, being _____ Dollars (\$_____), to the payment of the principal amount of the Notes. The Local Government shall have no authority to levy ad valorem taxes for the payment of the principal of the Notes.

Section 5. That, the interest on the Notes shall be direct general obligations of the Local Government and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of interest on the Notes. Provided, however, that the proceeds of any capital outlay notes or bond anticipation notes shall not be applied to any payment of the Notes.

Section 6. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ (City Recorder/County Clerk) with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ (City Recorder/County Trustee) of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ (City Recorder/County Trustee) of the Local Government and shall be paid out for the purpose of providing funds in anticipation of the Agency Grant pursuant to this Resolution and as required by law.

Section 7. That, the Notes will be issued in fully registered form and that at all times during which any Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Notes. The notes register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Note. The Local Government shall not be obligated to make any such note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 8. That, the Notes may be extended or renewed as permitted by law.

Section 9. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to the Act.

Section 10. The Notes shall not be sold until receipt of the State Director of Local Finance's written approval for the sale of the Notes.

Section 11. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental

standards and as approved by the State Director of Local Finance (the “Director”.) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the “Statutes”.) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 12. That, all orders or resolutions in conflict with this Resolution in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

GRANT ANTICIPATION NOTES---INTERFUND LOAN

RESOLUTION OF THE GOVERNING BODY OF _____,
_____, TENNESSEE, AUTHORIZING THE
ISSUANCE, SALE, AND PAYMENT OF
_____ GRANT ANTICIPATION
INTERFUND LOAN NOTES NOT TO EXCEED
\$ _____

WHEREAS, the Governing Body of _____, Tennessee, (the "Local Government") has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): _____

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or other wise fulfill a public purpose; and

WHEREAS, there is on file in the offices of the Local Government a fully executed contract or agreement between _____ (designate the state or federal agency) (the "Agency") and the Local Government, dated _____, 20____, whereby the Agency agrees to pay the Local Government a principal amount of _____ Dollars (\$____) (the "Agency Grant") to finance the cost of the Project; and

WHEREAS, under the provisions of Part I, II, IV and VII of Title 9 Chapter 21, *Tennessee Code Annotated*, Local Governments in Tennessee are authorized to issue and sell interest-bearing grant anticipation notes upon the approval of the State Director of Local Finance; and

WHEREAS, under the provisions of Section 9-21-408 of Title 9 Chapter 21, *Tennessee Code Annotated*, Local Governments in Tennessee are authorized to make interfund loans in accordance with procedures for issuance of notes in part 7 of Title 9 Chapter 21 *Tennessee Code Annotated*.

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of grant anticipation notes to provide funds in anticipation of the Agency Grant;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee as follows:

Section 1. That, for the purpose of providing funds in anticipation of the Agency Grant, the Local Government is hereby authorized to issue grant anticipation notes in a principal amount not to exceed _____ Dollars (\$____) (the "Notes") from the _____ fund to the _____ fund upon approval of the State Director of Local Finance pursuant to the term, provisions, and conditions of Part I, II, IV and VII of Title 9 Chapter 21 and Section 9-21-408 of Title 9 Chapter 21, *Tennessee Code Annotated*. The Notes shall be designated _____ Grant Anticipation Interfund Loan Note, Series 20____; shall be dated as of the date of issuance; and shall bear interest at a rate

or rates not to exceed ____ per cent (____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than _____ (designate either three/3 or seven/7 years) after the date of issuance.

Section 3. That, the Note shall be subject to redemption at the option of the Local Government, in whole or in part, at any time that the funds of the Agency Grant become available to the Local Government, at the principal amount and accrued interest to the date of redemption without a premium.

Section 4. That, the principal amount of the Notes shall be secured solely by the pledge of funds to be received pursuant to the Agency Grant, and the Local Government hereby pledges a portion or all of the Agency Grant in an amount at least equal to the principal amount of the Notes, being _____ Dollars (\$_____), to the payment of the principal amount of the Notes. The Local Government shall have no authority to levy ad valorem taxes for the payment of the principal of the Notes.

Section 5. That, the interest on the Notes shall be direct general obligations of the Local Government and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of interest on the Notes. Provided, however, that the proceeds of any capital outlay notes or bond anticipation notes shall not be applied to any payment of the Notes.

Section 6. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ (City Recorder/County Clerk) with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ (City Recorder/County Trustee) of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ (City Recorder/County Trustee) of the Local Government and shall be paid out for the purpose of providing funds in anticipation of the Agency Grant pursuant to this Resolution and as required by law.

Section 7. That, the Notes may be extended or renewed as permitted by law.

Section 8. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Part I, II, IV and VII of Title 9 Chapter 21, *Tennessee Code Annotated*.

Section 9. That, the Notes shall be issued only after the receipt of the written approval of the State Director of Local Finance for the loan of funds from the _____ fund to the _____ fund.

Section 10. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director

immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 11. That, all orders or resolutions in conflict with this Resolution in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20____.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

D. Tax Anticipation Notes

Tax Anticipation Notes require the approval of the Director of Local Finance. The authority for issuance of Tax Anticipation Notes (TANs) is found in *TCA* Title 9 Chapter 21 Part 8.

1. Procedure for Approval

A. Authorized Purposes

For meeting appropriations made for the current fiscal year in anticipation of *the collection of taxes and revenues of that fiscal year* in amounts *not exceeding sixty percent (60%) of such appropriation*.

B. Resolution

Before the Director of Local Finance can approve TANs, the local governing body must perform a resolution to issue and sell interest bearing tax anticipation notes for the purpose noted previously.

See *TCA* Title 9 Chapter 21 Part 4 and Part 8 for information concerning contents of TAN resolutions

C. Documentation Required by the Director of Local Finance for Approval

1. Certified copy of the resolution authorizing the issuance of grant anticipation notes.
2. Approved budget ordinance or resolution for current fiscal year.

(NOTE: The appropriate government official or entity will certify documents.)

D. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Law after Approval by the Director of Local Finance.

None

3. Security for Tax Anticipation Notes (*TCA* § 9-21-801)

Tax Anticipation Notes are secured by taxes and revenues anticipated to be collected in the current fiscal year.

4. Method of Sale (*TCA* § 9-21-803)

Tax anticipation notes may be sold either at a competitive public sale or at a private negotiated sale as the governing body of the local government may direct.

5. Extension or Renewal of Tax Anticipation Notes (*TCA* § 9-21-801)

Tax anticipation notes cannot be extended or renewed and shall be repaid from the current fiscal year's taxes and revenues by June 30. If taxes and revenues are found to be overestimated and it becomes impossible to pay the notes prior to the close of the current fiscal year, application shall be made to the state director of local finance within ten (10) days prior to the close of the current fiscal year for permission to issue funding bonds to cover the unpaid note balances in the manner provided by chapter 11 of Title 9 of the Tennessee Code Annotated, or as otherwise provided for in a manner approved by the state director.

TAX ANTICIPATION NOTES

RESOLUTION OF THE GOVERNING BODY OF _____, TENNESSEE,
AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF
_____ FUND TAX ANTICIPATION NOTES NOT TO EXCEED
_____.

WHEREAS, the Governing Body of _____, Tennessee, (the “Local Government”) has determined that it is necessary and desirable to borrow a limited amount of funds to meet appropriations made for the _____ Fund (the “Fund”) for the current fiscal year, being July 1, 20____, through June 30, 20____, inclusive, (the “Fiscal Year”), in anticipation of the collection of taxes and revenues for the Fund during the Fiscal Year; and

WHEREAS, under the provisions of Part I, IV, and VIII of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to issue and sell interest-bearing tax anticipation notes in amounts not exceeding sixty percent (60%) of the Fund appropriation for the Fiscal Year upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of tax anticipation notes;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to meet certain appropriations for the Fiscal Year, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this Resolution to issue and sell interest-bearing tax anticipation notes in a principal amount not to exceed _____ Dollars (\$_____) (the “Notes”) at either a competitive public sale or at a private negotiated sale upon approval of the State Director of Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “_____ Fund Tax Anticipation Notes, Series 20____”; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination(s) as agreed upon with the purchaser; shall be sold at not less than par value and accrued interest; and shall bear

interest at a rate or rates not to exceed _____per cent (____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the sum of the principal amount of the Notes, together with the principal amount or amounts of any prior tax anticipation notes issued during the Fiscal Year, does not exceed sixty percent (60%) of the Fund appropriation for the Fiscal Year.

Section 3. That, the Notes may be renewed from time to time and money may be borrowed from time to time for the payment of any indebtedness evidenced by the Notes; provided, that the Notes and any renewal notes shall mature and be paid in full without renewal on or before the end of the Fiscal Year. If the Local Government overestimates the amount of taxes and revenue collected for the Fiscal Year and it becomes impossible to retire the Notes and all renewal notes prior to the close of the Fiscal Year, then the Local Government shall apply to the State Director of Local Finance within ten (10) days prior to the close of the Fiscal year for permission to issue funding bonds to cover the unpaid Notes in the manner provided by Title 9, Chapter 11 of Tennessee Code Annotated or as otherwise provided for in a manner approved by the State Director of Local Finance.

Section 4. That, the Notes shall be secured solely by the receipt of taxes and revenues by the Fund during the Fiscal Year.

Section 5. That, the Notes shall be subject to redemption at the option of the Local government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption without a premium.

Section 6. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of meeting Fund appropriations made for the Fiscal Year in anticipation of the collection of revenues and taxes pursuant to this Resolution and as required by law.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that that notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That the Notes shall be sold only after the receipt of the approval of the State Director of Local Finance for the sale of the Notes.

Section 9. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20____.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/ County Clerk)

TAX ANTICIPATION NOTE FORM

of the
State of Tennessee

\$ _____

_____ **FUND TAX ANTICIPATION NOTE, SERIES 20** _____

DATED

INTEREST
RATE

MATURITY
DATE

_____, 20____

_____%

_____, 20____

The _____ of _____ (the "Local Government") of the State of Tennessee hereby acknowledges itself indebted, and for value received hereby promises to pay bearer the sum of _____ Dollars (\$ _____) (the "Principal Sum") on or before the Maturity Date (specified above) (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay from the date hereon interest on the Principal Sum on _____, and thereafter on the _____ at the Interest Rate per annum (specified above), by check or draft mailed to the bearer, at the address below. Both principal of and interest on this note are payable at the office of the _____ or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is secured solely by the receipt of taxes and revenues to be received by the _____ (the "Fund") during the current fiscal year of the Local Government, being July 1, 20____ through June 30, 20____, inclusive (the "Fiscal Year").

This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the interest accrued thereon to the date of redemption without a premium.

This note is issued under the authority of Parts I, IV, and VIII of Title 9, Chapter 21, Tennessee Code Annotated, and a resolution duly adopted by the Local Government on _____, 20____, to provide funds in anticipation of the collection of taxes and revenues for the Fund during the Fiscal Year in an amount not exceeding sixty percent (60%) of the total Fund appropriations for the Fiscal Year. The Maturity Date specified above shall not exceed the end of the Fiscal Year.

Title 9, Chapter 21, Section 117, Tennessee Code Annotated provides that this note and interest thereon are exempt from taxation by the State of Tennessee or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note do exist, have happened

and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Governing Body of the Local Government has caused this note to be executed in the name of the Local Government by the manual signature of the _____, and countersigned and attested by the manual signature of the _____, with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the _____ day of _____, 20____.

Duly passed and approved this _____ day of _____, 20____.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/County Clerk)

TAX ANTICIPATION NOTE---INTERFUND LOAN

RESOLUTION OF THE GOVERNING BODY OF _____, TENNESSEE,
AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF
_____ FUND TAX ANTICIPATION INTERFUND LOAN NOTES NOT TO
EXCEED _____.

WHEREAS, the Governing Body of _____, Tennessee, (the “Local Government”) has determined that it is necessary and desirable to borrow a limited amount of funds to meet appropriations made for the _____ Fund (the “Fund”) for the current fiscal year, being July 1, 20____, through June 30, 20____, inclusive, (the “Fiscal Year”), in anticipation of the collection of taxes and revenues for the Fund during the Fiscal Year; and

WHEREAS, under the provisions of Part I, IV, IV, and VIII of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to issue and sell interest-bearing tax anticipation notes in amounts not exceeding sixty percent (60%) of the Fund appropriation for the Fiscal Year upon the approval of the State Director of Local Finance; and

WHEREAS, under the provisions of Section 9-21-408 of Title 9 Chapter 21, *Tennessee Code Annotated*, Local Governments in Tennessee are authorized to make interfund loans in accordance with procedures for issuance of notes in part VIII of Title 9 Chapter 21 *Tennessee Code Annotated*.

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of tax anticipation notes;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of _____, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to meet certain appropriations for the Fiscal Year, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this Resolution to issue sell interest-bearing tax anticipation notes in a principal amount not to exceed _____ Dollars (\$_____) (the “Notes”) from the _____ fund to the _____ fund upon approval of the State Director of Local

Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “_____ Fund Tax Anticipation Interfund Loan Notes, Series 20___”; shall be dated as of the date of issuance and shall bear interest at a rate or rates not to exceed _____ per cent (____%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the sum of the principal amount of the Notes, together with the principal amount or amounts of any prior tax anticipation notes issued during the Fiscal Year, does not exceed sixty percent (60%) of the Fund appropriation for the Fiscal Year. Appropriations for the Fiscal Year for _____ Fund are \$_____. The principal amount of the Notes authorized is \$_____ which is ____% of the appropriations for the Fiscal Year.

Section 3. That, the Notes may be renewed from time to time and money may be borrowed from time to time for the payment of any indebtedness evidenced by the Notes; provided, that the Notes and any renewal notes shall mature and be paid in full without renewal on or before the end of the Fiscal Year. If the Local Government overestimates the amount of taxes and revenue collected for the Fiscal Year and it becomes impossible to retire the Notes and all renewal notes prior to the close of the Fiscal Year, then the Local Government shall apply to the State Director of Local Finance within ten (10) days prior to the close of the Fiscal year for permission to issue funding bonds to cover the unpaid Notes in the manner provided by Title 9, Chapter 11 of Tennessee Code Annotated or as otherwise provided for in a manner approved by the State Director of Local Finance.

Section 4. That, the Notes shall be secured solely by the receipt of taxes and revenues by the Fund during the Fiscal Year.

Section 5. That, the Notes shall be subject to redemption at the option of the Local government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption without a premium.

Section 6. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the _____ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the _____ of the Local Government. Proceeds of the Notes shall be deposited with the _____ of the Local Government and shall be paid out for the purpose of meeting Fund appropriations made for the Fiscal

Year in anticipation of the collection of revenues and taxes pursuant to this Resolution and as required by law.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that that notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That the Notes shall be issued only after the receipt of the approval of the State Director of Local Finance for the sale of the Notes.

Section 9. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this _____ day of _____, 20__.

(Local Government Chief Executive)

ATTESTED:

(City Recorder/ County Clerk)

E. Health Care Anticipation Notes

Health Care Anticipation Notes require the approval of the Director of Local Finance. The authority for issuance of Health Care Anticipation Notes (HCANs) is found in *TCA* Title 9 Chapter 21 Part 11.

1. Procedure for Approval

A. Authorized Purpose

For providing funds to be transferred to the state pursuant to an approved intergovernmental transfer agreement between the state and the local government. The principal amount of the notes shall not exceed an amount as determined by the Commissioner of Finance and Administration, as specified in the intergovernmental transfer agreement.

B. Resolution

Before the Director of Local Finance can approve HCANs, the local governing body must perform a resolution to issue and sell interest bearing HCANs for the purpose noted previously. An approved intergovernmental transfer agreement between the state and the local government must be executed before the Director can approve the HCAN.

See *TCA* Title 9 Chapter 21 Part 4 and Part 11 for information concerning contents of HCAN resolutions.

C. Documentation Required by the Director of Local Finance for Approval

1. Certified copy of the resolution authorizing the issuance of HCANs.
2. Fully executed approved intergovernmental transfer agreement between the state and the local government.
3. Amount of loan as determined by Commissioner of Finance and Administration.
(NOTE: The appropriate government official or entity will certify documents.)

D. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Law after Approval by the Director of Local Finance.

None

3. Security for Health Care Anticipation Notes (*TCA* § 9-21-1101)

Such notes and any interest thereon shall be secured solely by the payments by the state to the local government pursuant to the intergovernmental transfer agreement, and any payments received from the state by the local government shall immediately be applied to the retirement of any health care revenue anticipation notes issued for such purpose, together with any interest accruing thereon, with any remainder being used in such manner as determined by the governing body of the local government.

4. Method of Sale (*TCA* § 9-21-1103)

Health Care Anticipation Notes either may be sold at a competitive public sale or at a private negotiated sale as the governing body of the local government may direct.

5. Extension or Renewal of Health Care Anticipation Notes (*TCA* § 9-21-1102)

Health Care Anticipation Notes cannot be extended or renewed and shall be repaid from the amount determined by the Commissioner of Finance and Administration and specified in the intergovernmental transfer agreement no later than thirty (30) days from the date of issuance.

F. Revenue Anticipation Notes (Municipal Utility)

An incorporated municipality having a utility department which operates an electric or natural gas distribution system may issue Revenue Anticipation Notes (RANs) and Capital Revenue Anticipation Notes (CRANs), which notes shall be secured solely by the revenues of the public works for which the notes are issued. RANs may be issued to finance electrical power or gas purchases, including storage costs and pipeline capacity costs. CRANs may be issued to finance the cost of construction, extension, additions, betterments and improvements for a municipal utility's public works system. RANs require the approval of the Director of Local Finance. CRANs do not require the approval of the Director of Local Finance. The authority for issuance of RANs and CRANs is found in *TCA* Title 7 Chapter 34 Section 111.

1. Procedure for Approval

A. Authorized Purposes

1. For the purpose of paying the cost of construction, extension, additions, betterments and improvements for the public works system.
2. For the purpose of financing electrical power or gas purchases, including storage costs and pipeline capacity costs.

B. Resolution

Before the Director of Local Finance can approve an electrical power or gas purchase revenue anticipation note (RAN), the local governing body must perform a resolution to issue and sell interest bearing RANs for the purpose noted previously. A properly executed resolution must also be performed before a capital revenue anticipation note (CRAN) may be issued. As stated earlier, CRANs do not require the approval of the Director of Local Finance.

See *TCA* Title 7 Chapter 34 Part 1 for information concerning contents of RAN resolutions.

C. Documentation Required by the Director of Local Finance for Approval of RAN

1. Certified copy of the resolution authorizing the issuance of RANs.
2. Most recent audited financial statements for the municipal utility.
3. Audited financial statements showing net income for at least one of the three fiscal years preceding the proposed note issuance.
4. No notes shall be approved by the Director for issue unless the electric system or gas system for which the notes are to be issued **has positive retained earnings as shown in the most recent audited financial statements of the system, and the system has produced positive net income in at least one (1) fiscal year out of the three (3) fiscal years preceding the issuance of the notes, as shown on the audited financial statements of the system.**

(NOTE: The appropriate government official will certify documents.)

D. Documentation of Approval

The Director of Local Finance will indicate approval or nonapproval through a letter from the Division of Local Finance with his signature.

2. Activities Required by Law after Approval by the Director of Local Finance.

Report on Debt Obligation (Comptroller Form CT – 0253)

This form will be submitted to the Division of Local Finance within 45 days of issuance of the CRANs by the issuing local government. {Required by *TCA* § 9-21-151(6)(c)} The Official Statement for the issue should be sent with the CT-0253. See Appendix A for guidelines and a blank CT-0253.

3. Security and Method of Sale for Revenue Anticipation Notes

Such notes and any interest thereon shall be secured solely by a lien on the revenues of the public works for which the notes have been issued. RANs and CRANs shall be sold in such manner and upon such terms and conditions as may be determined by the governing body, board or commission issuing the notes. Capital Revenue Anticipation Notes shall be payable not later than five (5) years from the date of issue. Electric Power and Gas Purchase Revenue Anticipation Notes shall be paid within twelve months from the date of issue.

4. Extension or Renewal of RANs (TCA § 7-34-111)

Electric Power and Gas Purchase RANS can be renewed for one year if revenues of the utility are insufficient to pay all such notes at maturity, or may be retired with funding bonds issued pursuant to Title 9, Chapter 11, Tennessee Code Annotated, or may be otherwise liquidated as approved by the Comptroller of the Treasury or the Director of the Division of Local Finance.

REVENUE ANTICIPATION NOTE-
NATURAL GAS OR ELECTRIC POWER PURCHASE

RESOLUTION OF THE GOVERNING BODY OF _____, TENNESSEE
AUTHORIZING THE ISSUANCE AND PAYMENT OF NOT TO EXCEED
\$ _____ NATURAL GAS OR ELECTRIC POWER PURCHASE
REVENUE ANTICIPATION NOTES

WHEREAS, the governing body of _____, Tennessee (the "Local Government") or the _____ Department (the "Utility System") of the Local Government is authorized by Title 7, Chapter 34, Tennessee Code Annotated as amended (the "Code"), to issue revenue anticipation notes upon the approval of the State Director of Local Finance for the purpose of financing the cost of the following project (the "Project"): _____ (indicate either natural gas purchases or electric power purchases); and

WHEREAS, the Local Government/Utility System finds it necessary and in the public interest to issue revenue anticipation notes for the purpose of providing funds to finance the cost of the Project in anticipation of the collection of revenues from the Utility System; and

WHEREAS, it is necessary and desirable to provide for the execution, terms, issuance and payment of Revenue Anticipation Notes in compliance with the Code.

NOW THEREFORE BE IT RESOLVED, that the Local Government/Utility System authorizes the issuance of not to exceed \$ _____ Revenue Anticipation Notes for the purpose of financing the cost of the Project. The notes will be issued in compliance with the Code. No notes will be issued until approval has been obtained from the State Director of Local Finance. Any notes issued will mature not later than one year from the date of issuance, but may be extended for an additional one-year period with approval from the State Director of Local Finance. Debt service on the notes will be payable from the revenues of the Utility System as authorized in the Code.

Adopted, this the _____ day of _____, 20 _____. This resolution shall take effect from and after its adoption, the pubic welfare requiring it.

(Mayor)

(City Clerk/Recorder)

APPENDIX A

INSTRUCTIONS FOR PREPARATION OF STATE FORM CT-0253 REPORT ON DEBT OBLIGATION

(DO NOT ADD TO, DELETE FROM OR CHANGE THIS FORMAT)

1. Issuer Include the full name and address of the public entity, which may be a county, municipality, metropolitan government, board, agency, authority, district or other entity authorized to issue debt which is tax exempt from state taxation pursuant to Title 67, Chapter 2, Tennessee Code Annotated. **This is NOT the bank or lending institution.**
2. Debt Obligation Identify the type of debt obligations being issued either as bond, capital outlay note (CON), Bond anticipation note (BAN), grant anticipation note (GAN), lease/lease purchase or loan agreement. A loan agreement is considered a borrowing from the State Revolving Fund, a Public Building Authority, or the Tennessee Local Development Authority. A line of credit is considered a capital outlay note. A lease/lease purchase also includes a Certificate of Participation.
3. Security Identify the security for the debt. General Obligation means the taxing power of the local government is pledged to repay the debt. Annual appropriations are applicable ONLY to lease/lease purchase obligations.
4. Purpose of Issue Indicate the purpose or purposes for which the debt is being issued. In the case of debt being issued for multiple purposes indicate the percentage for each category. If percentage has not been determined for multiple purposes, use reasonable estimates.
5. Face Amount Indicate the face amount of the debt issued. When debt is issued separate Debt Obligation series, a separate form CT-0253 should be completed for each issuance.
6. Type of Sale Indicate whether the sale was by competitive sale, negotiated sale or an i.e. State Revolving Fund, Tennessee Local Development Authority, Public Building Authority.
7. Tax Status Indicate whether the interest on the debt is intended to be exempt from federal income taxation. Separate forms must be completed if the debt is both taxable and tax-exempt.
8. Dated Date Dated date is the date that is stated on the debt obligation and is the date interest starts to accrue on the obligation.
9. Issue Date Issue date (closing date) is the date proceeds of the debt issue are received by the public entity.
10. Rating Specify the rating the debt issue has obtained, or if the debt is unrated.
11. Interest Cost Indicate interest rate percentage and indicate method used to determine the rate. **If variable, show the first assigned rate.** TIC is True Interest Cost. NIC is Net Interest Cost.

12. Recurring Costs List the ongoing or recurring costs involved in connection with remarketing, liquidity, and credit enhancement, specifying any periodic fees and charges that may be calculated on a fee per transaction basis. If periodic fees are not based on the outstanding balance of the debt, please specify the basis on which periodic charges will be made.
13. Maturity Dates, Amounts And Interest Rates Indicate year of maturity, the principal amount maturing each year and the interest rate for each maturity.
14. Itemized Description of the Cost of Issuance Indicate by detailed category the cost incurred in the issuance of the debt obligation. PLEASE ROUND TO THE NEAREST DOLLAR AND TOTAL THE COLUMN. Costs reported in this category are costs incurred in the initial issuance of the debt obligation and do not include related costs that may reoccur on a periodic basis while the debt is outstanding. Amounts reported should include both professional fees and any expenses, such as long distance calls or duplication charges. If the financial advisor fee includes other costs such as legal, printing, rating, etc., these costs are itemized separately. Sub-items, “i” through “v” of item (i) is only applicable to a negotiated sale where such costs are incurred. Legal fees not identified separately on the form should be listed in the blank spaces under legal fees. If there are costs that are not identified by categories shown on the form, please use the “other costs” category. If more than one issue is involved, show a pro-rata share of the issue costs on each CT-0253. A copy of the final disclosure statement or official statement, if developed, should accompany the form CT-0253.
15. Signatures of the Authorized Representative and Preparer The authorized representative is the chief financial officer of the public entity, i.e. County Executive, Mayor, President, Chairman, etc. If the form CT-0253 is prepared by someone other than the authorized representative, indicate in the space provided. However, the authorized representative must still sign the form.

INCORRECT OR INCOMPLETE FORMS WILL BE RETURNED!!

Issuer's No. _____

(To be filled out by State)

REPORT ON DEBT OBLIGATION
(Pursuant to Chapter 402, Public Acts of 1989)

1. Issuer:

Name _____

Address _____

2. Debt Obligation:

- | | |
|--------------------------|-------------------------|
| <input type="checkbox"/> | a. Bond |
| <input type="checkbox"/> | b. CON |
| <input type="checkbox"/> | c. BAN |
| <input type="checkbox"/> | d. GAN |
| <input type="checkbox"/> | e. Lease/Lease Purchase |
| <input type="checkbox"/> | f. Loan Agreement |

5. Face Amount of Debt Obligation: \$ _____**6. Type of Sale:**

- | | |
|--------------------------|----------------------------------|
| <input type="checkbox"/> | a. Competitive Public Sale |
| <input type="checkbox"/> | b. Negotiated Sale |
| <input type="checkbox"/> | c. Loan Program _____
specify |

3. Security For Debt Obligation:

- | | |
|--------------------------|---------------------------------------|
| <input type="checkbox"/> | a. General Obligation |
| <input type="checkbox"/> | b. General Obligation Revenue and Tax |
| <input type="checkbox"/> | c. Revenue |
| <input type="checkbox"/> | d. Annual Appropriations |

7. Tax Status:

- a. _____ Tax Exempt b. _____ Taxable

8. Dated Date: _____**9. Issue Date (Closing Date):** _____**4. Purpose of Issue**

%

- | | | |
|--------------------------|-----------------------------|-------|
| <input type="checkbox"/> | a. General Government | _____ |
| <input type="checkbox"/> | b. Education | _____ |
| <input type="checkbox"/> | c. Highways and Streets | _____ |
| <input type="checkbox"/> | d. Public Safety | _____ |
| <input type="checkbox"/> | e. Solid Waste Disposal | _____ |
| <input type="checkbox"/> | f. Industrial Park | _____ |
| <input type="checkbox"/> | g. Manufacturing Facilities | _____ |
| <input type="checkbox"/> | h. Health Facilities | _____ |
| <input type="checkbox"/> | i. Airports | _____ |
| <input type="checkbox"/> | j. Utilities | _____ |
| <input type="checkbox"/> | i. Water | _____ |
| <input type="checkbox"/> | ii. Sewer | _____ |
| <input type="checkbox"/> | iii. Electric | _____ |
| <input type="checkbox"/> | iv. Gas | _____ |
| <input type="checkbox"/> | k. Refunding or Renewal | _____ |
| <input type="checkbox"/> | l. Other _____ | _____ |
- specify

10. Ratings:

- a. Moody's _____
- b. Standard & Poor's _____
- c. Unrated _____

11. Interest Cost:

- | | |
|--------------------------|-------------|
| <input type="checkbox"/> | a. TIC |
| <input type="checkbox"/> | b. NIC |
| <input type="checkbox"/> | c. Variable |
| <input type="checkbox"/> | d. Other |

12. Recurring Costs:

- a. Remarketing Agent Fees \$ _____
- b. Liquidity Fees \$ _____
- c. Credit Enhancement Fees \$ _____

13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate

If additional space is needed, attach additional sheet.

Year	Amount	Interest Rate

No. of years _____

(To be filled out by state.)

14. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

a. Financial Advisor Fees*

\$ _____

Name of Firm

b. Legal Fees:

\$ _____

i. Bond Counsel

\$ _____

ii. Issuer's Counsel

\$ _____

iii. Trustee's Counsel

\$ _____

\$ _____

\$ _____

\$ _____

c. Paying Agent Fees and

\$ _____

Registration Fees

\$ _____

d. Trustee Fees

\$ _____

e. Remarketing Agent Fees

\$ _____

f. Liquidity Fees

\$ _____

g. Rating Agency Fees

\$ _____

h. Credit Enhancement Fees

\$ _____

i. Underwriter's Discount (%) _____

\$ _____

i. Take Down

\$ _____

ii. Management Fee

\$ _____

iii. Risk Premium

\$ _____

iv. Underwriter's Counsel

\$ _____

v. Other Expenses

\$ _____

j. Printing and Advertising Fees

\$ _____

k. Issuer Fees

\$ _____

l. Real Estate Fees

\$ _____

m. Other Costs

\$ _____

n. Total Costs

\$ _____

*If other costs are included, please itemize

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Authorized Representative (Signature)_____
Preparer (Please Type or Print Legibly)_____
Authorized Representative (Please Type or Print Legibly)_____
Title_____
Title_____
Firm_____
Date_____
Date

SEND TO: Director - Division of Local Finance - Suite 1700 - 505 Deaderick Street—James K. Polk Building - Nashville, Tennessee 37243-0274

APPENDIX B

MEMORANDUM

To: Local Government Chief Executive Officer

From: David H. Bowling – Director of Local Finance

CC: Dennis Dycus – Director of Municipal Audit; Richard Norment – Director of County Audit;
Jim Jones – Executive Director of Local Finance and Auxiliary Services TDE;
Mike Garland – Executive Director CTAS; Bob Schwartz – Executive Director MTAS

Date: June 18, 2003

Re: Annual Budget Memorandum—Fiscal Year 2004 Budget

***NOTICE:** Our procedure is to send this memo to the chief executive officer of the local government. If in the future you wish us to send a copy of this memo to another official responsible for the budget process please send us the name, title and address of such official.*

A. INTRODUCTION

1. Various statutes in Tennessee require local governments to adopt budgets at the beginning of each fiscal year. Under certain conditions, these budgets must be approved by the Director of the Division of Local Finance in the State Comptroller's Office prior to their becoming the official budget document. The Division is required by law to approve your budget if your county or municipality has the following types of debt outstanding as of June 30, 2003: capital outlay notes, bond anticipation notes, or grant anticipation notes issued under authority of Title 9 Chapter 21, *Tennessee Code Annotated*. For some local governments that have entered into loan agreements with a public building authority under authority of Title 12 Chapter 10, *Tennessee Code Annotated*, it is also necessary for the budgets of these local governments to be filed with the Division. We are hereby requesting that you determine if your budget for the fiscal year 2003 should be submitted to our office. If so, please submit your budget/appropriation ordinance or resolution for fiscal year 2004 and the supporting documentation as described in this memorandum to our office immediately upon its adoption and approval by the legislative body. *It is not necessary to submit a printed and bound budget document. The budget information in pre-bound format is usually sufficient for our purposes, provided it is accompanied by the supporting resolutions, ordinances, schedules, etc.*
2. **Local governments will not receive approval for Tax Anticipation Notes until the Division has received and approved either the adopted budget for the 2004 fiscal year (July 01, 2003 – June 30, 2004) or a continuation budget as described in Part B(2) of this memorandum. Local governments which do not submit a budget which meets the requirements for approval may be unable to receive approval for other debt until a budget is approved.**
3. (a) **If your county or municipality will have the following types of debt outstanding at June 30, 2003, your budget must be approved by our office prior to it's becoming official: capital outlay notes, bond anticipation notes, or grant anticipation notes issued under authority of Title 9 Chapter 21, *Tennessee Code Annotated*.** You may continue to operate within the adopted budget prior to our approval; however, under certain circumstances, we are authorized by law to require amendments to the budget if we consider it necessary.
- (b) Budgets submitted to the Division of Local Finance for approval must maintain the fiscal affairs of the local government on a cash basis after the issuance of notes pursuant to the provisions of §9-21-403(a), *Tennessee Code Annotated*. Under a cash basis budget, available but unrestricted cash must be sufficient to meet projected cash expenditures for the budget year. The Division should also be able to determine from the budget information that the local government has authorized

adequate payment of all outstanding debt service for the coming fiscal year. The statutes provide that our office may request such information as we deem necessary for us to determine that the budgets are balanced and that adequate appropriations have been made to meet annual debt service requirements for any outstanding debt.

B. GENERAL INFORMATION

1. *Tennessee Code Annotated* §9-1-116 requires that funds must first be appropriated before they may be lawfully expended. Various general statutes require local governments in Tennessee to appropriate funds through an appropriation/budget ordinance or resolution approved by the local governing body before monies may be expended. General statutes also require that appropriated funds may not exceed available cash receipts and unreserved fund balance.
2. The state's general budget laws require that municipalities have an adopted budget for the upcoming fiscal year by June 30 or a continuation budget approved by the governing body. Counties should have an adopted budget no later than July 31, or a continuation budget approved by the local governing body. If the local government has not adopted a budget by the appropriate date, the continuation budget should be filed with our office in sufficient time for approval before the beginning of the new fiscal year. The continuation budget allows the local government to continue making operational expenditures at the same level as the prior fiscal year until the upcoming fiscal year budget can be adopted and approved. A continuation budget is only a temporary authorization for expenditures. A continuation budget may not be adopted if any fund deficits exist at the close of the fiscal year.
3. For all local governments with school systems, the date to submit school budget information to the State Department of Education is on or before July 31. Also, beginning with October 1 of each fiscal year, any of these local governments whose complete budgets have not been approved by our office, if required, or whose school budgets have not been approved by the State Department of Education, risk the loss of eligibility to receive state school funds.
4. Local governments should monitor and amend their budgets and financial plans throughout the year to ensure they remain in balance. Amendments which reflect increases or decreases in unobligated fund balances/retained earnings due to unanticipated revenues or expenditures should be submitted to our office during the year after they have been approved by the legislative body. Also, amendments resulting in transfers from one major category to another within the same fund should be submitted to our office. A certified copy of the budget amendment resolution/ordinance which must be in compliance with the requirements of law should be submitted. Any amendments must present a balanced transaction—increases must equal decreases. Any amendment indicating increased expenditures must also indicate sufficient funds are available to support such expenditures, either through an increase in anticipated revenues, a decrease in available fund balance, or reductions in other expenditure items.

C. BUDGET INFORMATION TO BE SUBMITTED

We are requesting that you submit a copy of the fiscal year 2004 appropriation ordinance/resolution approved by your legislative body and the supporting documentation hereafter described. The appropriation ordinance or resolution must include appropriations for the budgets of all funds/departments for which the legislative body is responsible pursuant to state law, including school funds. Enterprise funds and intragovernmental service funds should also operate according to a flexible budget/financial plan. We are also requesting the budgets for these activities, particularly if it is anticipated that tax anticipation notes are to be issued for these funds. *Although any outstanding capital outlay notes, bond anticipation notes, grant anticipation notes or public building authority loan agreements may be directly related to specific funds or departments, please be advised that if only the budgets for these funds departments are submitted it will not be considered as a proper budget document for our statutory responsibilities.*

a. Appropriation/Budget Ordinance or Resolution and Property Tax Levy (if applicable)

Please submit a certified copy (certification by appropriate official regarding approval by the legislative body) of the appropriation and tax rate ordinances/resolutions, together with supporting detail information. These must include revenues, expenditures, and fund balances/retained earnings. If a separate school budget exists, this must be submitted also. The full budget ordinance (resolution) and school budget should agree. The tax rate should be sufficient to provide the authorized level of support in the school budget. Additionally, the local government should show a calculation that indicates the ad valorem tax rate times the assessed value of any property taxed equals the property tax revenues reported in the budget.

b. Detailed budgets for fiscal year 2004

Detailed budget totals should agree with the budget/appropriation ordinance or resolution. If not, a reconciliation statement should be provided which adequately explains any differences. Proposed beginning fund balances for the coming year and ending fund balances should be included in the detailed budget.

c. Detailed statements of the estimated revenues and expenses for fiscal year 2003 and actual revenues and expenditures for fiscal year 2002

This will be used for comparative purposes in our budget review.

d. Notice of budget publication

For some local governments, the applicable budget statutes require the publication of certain information with regard to the budget in a local newspaper. A copy of the advertisement appearing in a paper of general local circulation should be submitted to our office.

e. Proprietary funds, intragovernmental service funds, etc.

In instances where state law requires a financial plan be prepared and submitted to the legislative body for enterprise funds, intragovernmental service funds, or other non-governmental funds, a copy should be submitted to our office, together with documentation indicating approval by the legislative body. This financial plan should show payment of principal and interest of any debt associated with the proprietary fund.

f. Statement of debt requirements

This schedule should include all outstanding debt issued by the local government, including any department thereof. This will be used by our office to determine, *as required by law*, that adequate provision has been made to meet all debt service requirements for the fiscal year. Amounts reported in this schedule should support amounts included in the operating budgets and enterprise financial plans. This schedule should indicate (1) the type of debt (bond, note, loan agreement, capital lease, etc.); (2) what fund the debt service is to be paid from (i.e.: general fund, debt service, special revenue fund, school fund, enterprise fund, etc.); and (3) the annual principal and interest debt service requirements to maturity, including principal and interest requirements for fiscal year 2004. We will compare these amounts to the appropriations for debt service included in the budget documents.

g. Capital improvement program

Please notify our office if you do or do not utilize a capital improvement budget plan. We also request that a copy of your capital improvement budget be submitted to our office. This document, particularly applicable to local governments planning to finance anticipated capital projects through the issuance of debt in the form of capital outlay notes, bond anticipation notes, bonds, etc., should indicate the project description, financing method, estimated date to begin, estimated date of completion, estimated annual capital expenditures, and proposed source of funding. This will be helpful to our office when we are reviewing future debt approval requests from local governments.

h. School budget document as submitted to State Department of Education

A copy of the school fund budget document as submitted to the State Department of Education should also be sent to our office. This should indicate the budgeted revenues, expenses, and fund balances for the school funds and should also indicate approval by the legislative body and the local board of education. The school budget is not to be considered approved until it has been approved by both the local school board and the county or municipal legislative body. We will compare the budget document to the appropriation ordinance or resolution adopted by the legislative body to determine that amounts approved by the legislative body and the school board are in agreement. If any school debt service requirements are provided for in the school budget document, this should be clearly indicated.

Please examine all documents before submitting them to our office. Amounts reported in the detailed budgets and statements should correspond with revenues and appropriations as approved in the ordinance or resolution adopted by the legislative body. The adopted tax rate when applied to the assessed property values should produce the revenues indicated in the budget documents.

D. CLOSING NOTES

Please present your budget ordinance or resolution and all necessary supporting documents to our office immediately upon adoption. As was stated earlier in this memorandum, it is not necessary to submit a printed and bound budget document. The document in pre-bound format is usually sufficient for our purposes. If you need any assistance in preparing the budget, the following agencies may be able to provide such assistance:

1. Municipal Technical Advisory Service (865) 974-0411 (Knoxville)
2. County Technical Assistance Service (615) 532-3555 (Nashville)
3. Division of County Audit---Comptroller (615) 401-7841 (Nashville)
4. Division of Municipal Audit---Comptroller (615) 401-7871 (Nashville)
5. Division of Local Finance---Comptroller (615) 401-7976 (Nashville)
6. Division of Local Finance and Auxiliary Services---Education (615) 532-1650 (Nashville)
7. Your local independent auditor.

We certainly appreciate your assistance in providing this information to our office. Once we have completed our examination of the budget, we will provide you with a written response indicating the results of our review.

APPENDIX C

CAPITAL LEASES/LEASE PURCHASE AGREEMENTS

The Division of Local Finance is not required to approve lease-purchase agreements. As described in the following Tennessee Code Annotated (TCA) excerpt, approval from the local governing body in the form of an ordinance or resolution is required to authorize entrance into a lease-purchase agreement. If the lease purchase agreement is for five years or more a notice of meeting shall be published relative to the meeting at which such contract, lease or lease-purchase agreement will be considered by the governing body of the municipality at least seven (7) days prior to the date set for such meeting. Once the ordinance or resolution is approved, no further approval is required. Once issued, certain information concerning the lease purchase should be reported to the Director within 45 days using the Report on Debt Obligation Form CT-0253.

Lease Purchase

TCA 7-51-904. Approval by governing body - Notice of meeting.

Statute text

- (a) Whenever the period or term, including any renewal term or extension period, of any contract, lease, or lease-purchase agreement for any real property is to be for less than five (5) years, under the authority of § 7-51-902 or § 7-51-903, or for tangible personal property, regardless of the period or term, such contract, lease or lease-purchase agreement **shall first be approved by resolution or ordinance** duly adopted by the governing body of the municipality, and **no such contract, lease, or lease-purchase agreement shall be entered into by a municipality without such approval.**
- (b) Whenever the period or term (including any renewal term or extension period) of any contract, lease or lease-purchase agreement for any real property is to be for **five (5) years or more** under the authority of § 7-51-902 or § 7-51-903, a **notice of meeting shall be published** relative to the meeting at which such contract, lease or lease-purchase agreement will be considered by the governing body of the municipality **at least seven (7) days prior to the date set for such meeting.** Such notice of meeting **shall identify the real property to be considered, the term or terms of such contract, lease or lease-purchase agreement and the contracting party.** Such contract, lease or lease-purchase agreement shall be approved by resolution or ordinance adopted by the governing body of the municipality, and no such contract, lease or lease-purchase agreement shall be entered into by a municipality without such approval.
- (c) **No other or further approval shall be required for any contract, lease or lease-purchase agreement entered into pursuant to the provisions hereof.**

TCA 7-51-902. Capital improvement property.

Statute text

Any municipality is authorized to enter into, with any contracting party or parties, contracts, leases or lease-purchase agreements with respect to capital improvement property for terms not to exceed forty (40) years or the useful life of the subject capital improvement property, whichever is less.

TCA 7-51-903. Long-term contracts.

Statute text

Except as otherwise authorized or provided by law, municipalities are hereby authorized to enter into long-term contracts for such period or duration as the municipality may determine for any purpose for which short-term contracts not extending beyond the term of the members of the governing body could be entered; provided, that the provisions of § 7-51-902 shall govern the periods or terms of contracts, leases, and lease-purchase agreements with respect to capital improvement property.